

## **Bureau of Insurance Statement Regarding Maine Community Health Options**

**February 6, 2017**

Consistent with the Bureau of Insurance's ("BOI") practice, this statement concerns Community Health Options' ("CHO") results through December 2016. These results are preliminary since the Company is presently in the process of finalizing its results for the year and they may, therefore, be modified to some extent prior to CHO's filing of its 2016 Annual Statement on March 1.

What follows are the key preliminary results for December and YTD:

- Incurred claims were 14.6% lower than Plan in December and paid claims were 8.1% lower for the month. YTD incurred claims were 3.3% lower than Plan and paid claims for the year were 0.3% higher. (Some 2016 claims are still being paid so the final incurred claim amount to be booked for 2016 will not be known until shortly before CHO's 2016 Annual Statement is filed on March 1, 2017.) The December Claim Count was slightly (1.3%) below the monthly average for 2016. The Average Daily Dollar Amount in the Claim Inventory was 24.1% lower than the monthly average for the last ten months of 2016 reported (starting with March). The Company remains optimistic that this favorable trend will continue and the BOI is monitoring results on a weekly basis.
- The percentage of Net Outstanding Claims Inventory (which is the total pending Submitted Amount at December 31, 2016) in the 0-30 day period (97.7%) was lower in December than November (103.6%). The 0-60 day period inventory (101.6%) was slightly lower than November (104.4%). (Some of these numbers are greater than 100% because the 91+ day category was a negative amount reflecting credits due CHO.) Again, the BOI is monitoring the aging of the claim inventory on a weekly basis.
- Membership at the end of December was 8.5% lower than Plan and approximately 9.9% lower than at December 31, 2015 while average monthly membership for the year was 4.4% lower than Plan. Roughly 76% of membership consisted of individual insurance. The remainder is virtually all small group insurance (23%), with the balance (1%) being large group. As noted in the BOI's statement on November results, there was uncertainty respecting the reported net premium numbers due to CHO's inability to reconcile certain underlying third party administrator premium reporting. CHO brought this function in-house effective December 1, 2016 and during the month reconciled previously reported premium throughout the year to that in-house system. This caused a substantial one-time negative adjustment in

December. The net premium accordingly reported in December was 35.2% less than Plan for the month and 6.1% less than the Plan's estimated net premium for the year. This one-time adjustment was the principal reason why CHO's December net loss was much higher than Plan. It is important to note that while this adjustment to previously reported amounts was made during December that it does not reflect a deterioration of operational results during the month.

- Total expenses in December were 6.5% lower than Plan for the month. Full-year expenses were 2.8% lower than Plan.
- The \$11.2 million net loss reported for December was \$9.0 million higher than Plan. However, this variance from Plan is largely the result of the one-time adjustment to previously recorded net premium which was booked in December. For the year, the preliminary total net losses of \$58.3 million are \$14.4 million higher than Plan. (The premium deficiency reserve established as of December 31, 2015, absorbed approximately \$43.1 million of those net losses thereby mitigating the impact to capital and surplus in 2016.) Claims and expenses for the year were generally consistent with Plan and CHO's preliminary estimate is that capital and surplus will be \$37.4 million.
- CHO reported bonds, cash, cash equivalents, and short term investments 29.3% lower than Plan. The principal reason for that negative variance appears to be the reported increase in the velocity of claim payments and lower than planned Net Premium Income.

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CHO's reported membership at February 1, 2017 is about 48,000 which compares to approximately 84,000 at the same time in 2016. The relativity of CHO's current membership to capital therefore appears better. Its 2016 Risk Based Capital ratio is expected to be approximately 16.8% less than projected by the Plan but lower membership combined with better priced insurance products, best positions CHO to operate successfully in 2017. The BOI will continue to closely monitor CHO's performance and post monthly statements about its results.